

Message Text

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ACTION STR-04

INFO OCT-01 IO-11 ISO-00 STRE-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

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E.O. 11652: N/A

TAGS: MTN, ETRD, GATT, CA

SUBJECT: CANADIAN VIEWS ON TARIFF FORMULA

1. DURING BILATERAL DISCUSSIONS JAN 15, CANADIAN DELEGATE (GORE) OUTLINED CURRENT CANADIAN THINKING ON TARIFF FORMULA. ACCORDING TO GORE, THE CANADIANS FIND THE EC FORMULA $X \text{ EQUALS } Y$ TO HAVE THE MOST PROMISING POSSIBILITIES (OUTSIDE OF THE CANADIAN PROPOSED FORMULA), ALTHOUGH IT WOULD NEED TO BE MODIFIED SO THAT LOW TARIFFS (BELOW 5 PERCENT) COULD BE SIGNIFICANTLY REDUCED.

2. ON THE QUESTION OF THE IMPLICIT FLOOR IN THE EC FORMULATION, GORE SAID THAT IN HIS VIEW THE EC IS NOT WEDDED TO MAINTAINING A TARIFF FLOOR BUT IS SEEKING TO

AVOID ELIMINATION OF LOW DUTIES. THE CANADIANS BELIEVE
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THAT THE EC WOULD ACCEPT A FORMULA WHICH CALLS FOR

SUBSTANTIAL TARIFF CUTS IN THE LOW DUTY RANGES AS LONG AS DUTIES OF 1 OR 2 PERCENT REMAINED AFTER THE TARIFF REDUCTIONS. GORE ADDED THAT, ACCORDING TO ABBOTT OF THE EC DELEGATION, THE EC VIEWS THE Y EQUALS X FORMULATION AS A GENERAL APPROACH AND IS FLEXIBLE AS TO HOW THE FORMULA IS FINALLY APPLIED.

3. IN ADDITION TO REPEATING CANADIAN OPPOSITION TO A TARIFF FLOOR, GORE STATED THAT THE CANADIANS WOULD HAVE SERIOUS PROBLEMS WITH A U.S. PROPOSAL CALLING FOR SIGNIFICANT ACROSS THE BOARD REDUCTIONS, SUCH AS 60 PERCENT.

4. GORE INDICATED THAT THE CANADIANS HAVE ALSO EXAMINED AN EXCEPTIONS PROCEDURE BASED ON THE NUMBER OF TIMES THAT THE X EQUALS Y FORMULA IS REPEATED. FOR EXAMPLE, ON THE FIRST APPLICATION OF THE FORMULA, COUNTRIES COULD BE LIMITED TO EXCEPTING A GIVEN PERCENTAGE OF THEIR DUTIABLE TRADE. WHEN X EQUALS Y IS APPLIED MORE THAN ONCE, AN ADDITIONAL PERCENTAGE OF THEIR DUTIABLE TRADE COULD BE EXCEPTED FOR EACH SUCCESSIVE APPLICATION. CULBERT

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